



(Billing Code 5001-06-P)

DEPARTMENT OF DEFENSE

Defense Acquisition Regulations System

Accelerated Payments to Small Business Subcontractors

AGENCY: Defense Acquisition Regulations System, Department of Defense (DoD).

ACTION: Notice.

SUMMARY: In accordance with the one-year temporary policy established in the OMB Memorandum, *Providing Prompt Payment to Small Business Subcontractors* (July 11, 2012), DoD has taken steps to accelerate Federal payments to prime contractors, so that prime contractors can expedite payments to their small business subcontractors.

DATES: Effective through July 10, 2013, unless otherwise rescinded or extended.

FOR FURTHER INFORMATION CONTACT: Mr. Mark Gomersall, telephone 571-372-6099.

SUPPLEMENTARY INFORMATION:

OMB Memorandum M-12-16, *Providing Prompt Payment to Small Business Subcontractors* (July 11, 2012) establishes the Administration's initiative to accelerate Federal payments to prime contractors, so that prime contractors can, in turn, expedite payments to their small business subcontractors. Faster payments to small business subcontractors can improve

their cash flow and provide the capital resources needed to expand their business opportunities. This can lead to a stronger supplier base that supports Federal prime contractors in meeting the needs of their Federal customers in a timely and cost-effective manner. The Memorandum is available at <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2012/m-12-16.pdf>.

In accordance with the one-year temporary policy established in the OMB Memorandum, DoD has taken steps to make payments under the contract as soon as practicable, with the goal of paying its contractors within 15 days. DoD strongly encourages all prime contractors to accelerate payments to small business subcontractors under existing contracts to the maximum extent practicable.

The Federal Acquisition Regulatory Council (FAR Council) has recommended that Federal agencies issue deviations to the FAR, which permit immediate incorporation of the policy outlined in OMB Memorandum M-12-16 in solicitations and resultant contracts. In accordance with this recommendation, DoD has begun using a new contract clause, pursuant to Class Deviation 2012-00014, "Providing Accelerated Payment to Small Business Subcontractors." This class deviation requires prime contractors, upon receipt of accelerated payments from the Government, to make accelerated payments to small business

subcontractors to the maximum extent practicable after receipt of a proper invoice and all proper documentation from the small business subcontractor, while also maintaining necessary DoD internal controls. The FAR Council has opened FAR case 2012-031 to undertake rulemaking and obtain public comments to further implement OMB's policy.

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